



DEPARTMENT OF THE AIR FORCE
AIR FORCE PROGRAM EXECUTIVE OFFICE
WASHINGTON DC 20330

March 26, 2002

MEMORANDUM FOR ASC/RAV
ESC/AC/AW/FN/IL/JS/ND/DIS/SRV
J6/GTNPMO
MSG/AM
OC-ALC/LK
USSTRATCOM/J63

FROM: AFPEO/C2&CS
1100 Air Force Pentagon
Washington, DC 20330-1100

SUBJECT: Supplemental Guidance for Award Fee Determination for AFPEO/C2&CS
Programs

REFERENCE: AFPEO/C2&CS Award Fee Guidance Memorandum (dated 22 March 01)

1. Attachment 1 to this policy update is the current guidance for the award fee process. Attachments 2 through 4 contain guidance on the specific amount of award fee that the contractor will receive. This process will be the standard for all programs in the AFPEO/C2&CS portfolio and will be used for your next award fee period. The delayed implementation is provided so that your contractors can be briefed on how they will be evaluated and the corresponding award fee determined for the next rating period. The intent is not to change the evaluating process of an ongoing award fee period. The attached process demands a higher standard of performance measurement by System Program Offices and contractors to achieve the highest award fee measurement. The process is intended to more closely mirror how companies internally grade their program managers.
2. Attachment 2 specifies the percentage of award fee the company will receive given the evaluation rating achieved during the performance period.
3. Attachment 3 is an award fee criteria scoring matrix. This matrix is composed of two groupings, required criteria and optional criteria. Contract performance must be rated for the required criteria. All or none of the optional criteria can be used. The spreadsheet is designed to compute Percent of Award Fee automatically. The user entries are limited to the "Weight Factor" and the placing of an "X" in the applicable Rating Category. The "Weight Factor" provides flexibility that is necessary to shape the award fee to the type of work the contractor is performing. Any weighting factor can be entered in this column; however, the sum of the weight factors must equal 100%. Once the "Weight Factors" are inserted, simply place an "X" in the "Rating Category" that the contractor achieved. The spreadsheet will

then automatically compute the percent of award fee. An electronic copy of the scoring matrix is available by contacting my POC.

4. Attachment 4 lists the rating criterial with a description of the criteria and a short summary of the Weight Factor Column.
5. My point of contact is David Kerr, (703) 588-6463, DSN 425-6463, e-mail david.kerr@pentagon.af.mil.



ROBERT E. DEHNERT JR., Brig Gen (Sel), USAF
Air Force Program Executive Officer
for Command and Control & Combat Support Systems

Attachment:

1. AFPEO/C2&CS Award Fee Guidance
Memorandum (dated 22 March 01)
2. Award Fee Evaluation Categories
3. Award Fee Criteria Scoring Matrix
4. Award Fee Scoring Criteria Guide

Attachment 1

22 March 2001

MEMORANDUM FOR SEE DISTRIBUTION LIST

FROM: AFPEO/C2&CS

SUBJECT: Award Fee Guidance, supercedes AFPEO/C2&CS Award Fee Guidance letter
(dated 30 Oct 00)

1. Our portfolio is paving a new business paradigm, not only with extensive warfighter involvement and unique acquisition initiatives, but we are also implementing a rigorous and innovative incentive program that must follow a disciplined approach. Documentation for the fee determining official (FDO) should demonstrate the award fee plan guides the process, the rating recommendations are based on actual performance, and timely feedback addresses strengths and weaknesses. To assist future evaluations, I am providing evaluation guidelines to ensure our government teams maximize their ability to motivate positive performance with consistent evaluation methodology.
 - a. Award fee plans must capture the award-fee strategy and clearly communicate evaluation procedures. They focus the contractor on areas of greatest importance to motivate the best possible use of resources to improve performance. Better, faster, cheaper should be the expectation and the plan should be written to reflect that approach.
 - b. Interim feedback must occur to enable the contractor to make mid-term corrections.
 - c. Never enter an award fee period without finalized criteria.
 - d. All Award Fee Review Board (AFRB) Members are required to attend AFRB and FDO decision meetings. If a conflict exists and you must delegate this responsibility, ensure the individual representing your organization is fully briefed on your position and has been trained to serve in this role. I encourage designated alternates be assigned to ensure continuity and training are satisfied. The AFRB Chairman has the authority to prevent alternates from scoring unless he/she is confident your designated alternate is fully knowledgeable of the contractor's performance during the period and has received the necessary training as well as reviewed the applicable documentation to serve as your representative. All organizations with membership on the AFRB will be represented at the AFRB and FDO decision briefings.
 - e. AFRB members must read and know the criteria of the Award Fee Plan. All evaluations noting both strengths and weakness should directly relate to the criteria in the award fee plan on contract. Observations either positive or negative outside the criteria in the award fee plan may be noted, but should not be justification for raising or lowering the score.
 - f. The Integrated Product Team will conduct periodic training to ensure each member and designated alternates understand the issues of the period under evaluation. You are also

responsible for recommending changes to the criteria for future evaluation periods, with sufficient lead-time to ensure changes are formalized prior to the beginning of the period they go into effect.

- g. Ensure the award fee briefing is complete with documented strengths/weaknesses and clearly supports the recommended award. Avoid using inflated phrases and make sure the appropriate weight is applied to evaluation comments. Outstanding strengths coupled with only minor weaknesses should lead to an outstanding score.
 - h. Each period should be scored as an independent event. There is no requirement for the contractor to show improvement from period to period, and no restrictions from rewarding a score of 100 percent. However, if the contractor receives a score of 100 percent in an area that will be evaluated in follow-on periods, the AFRB should consider amending the criteria for future periods to ensure the intent for this fee to be an incentive is maintained. The key point is the score should represent performance relative to the plan for the period being evaluated. Your written and verbal evaluation must always reflect what the contractor did or didn't do to warrant the score received
 - i. Do not be unduly persuaded by the contractor's self-assessment and recommended ratings. The contractor's data should be used as a reference to ensure the key progress events or noteworthy performances are considered fairly in your final rating recommendations. I like to see the contractor's self-assessment, with the Government's assessment, applied against each criterion, as part of the FDO briefing. If performance and benefits to the government are justified, you have the latitude to recommend a higher or lower rating than offered in the self-assessment. However, if the ratings between the government and the contractor vary significantly (more than 3 percentage points) you should make sure the reason for that difference is explained in the FDO briefing. This is not intended to drive the scores together, but to ensure communication and better understand the disagreement that may require amplification in my comments back to the contractor.
 - j. Rollover of award fee (if an option in the Award Fee Plan) should not be considered automatic. Recommendations to rollover fee should ensure there is logical linkage between activities and rolling over fee results in benefits to the government.
 - k. Finally, remember we are implementing a robust teaming concept within our programs. The contractor and government organization should have an open team based relationship. Therefore, the contractor should be invited to the FDO meetings. The contractor's participation in meetings leading up to the final briefing to the FDO will be at the discretion of the AFRB Chairman.
2. In most of our programs, award fee is the only form of profit the contractor receives. Each percentage point of award fee is a considerable amount of money and you should take this responsibility very seriously. Purity of process is essential for this to be a fair and effective incentive tool. Please share this guidance with your AFRB members and refer to the AFMC Award Fee Guide at <http://www.bsx.org> for additional information. If you have any questions concerning this guidance, please feel free to contact me for clarification.

Signature on File

JEFFREY R. RIEMER, Brig Gen, USAF
Air Force Program Executive Officer
for Command and Control & Combat Support Systems

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Attachment 2***Award Fee Evaluation Categories***

<u>CATEGORY</u>	<u>PERCENT OF AWARD FEE</u>
• Excellent	• 93 – 100 %
• Very Good	• 87 – 92 %
• Satisfactory	• 76 – 86 %
• Marginal	• 65 – 75 %
• Unsatisfactory	• 0 - 64 %

Attachment 3

AWARD FEE CRITERIA SCORING MATRIX

Required Criteria:	Rating Category (93-100%)	Weight Factor (%)	Insert an "X" if this criteria met	Rating Category (87 - 92%)	Insert an "X" if this criteria met	Rating Category (86%)	Insert an "X" if this criteria met	Rating Category (85 - 75%)	Insert an "X" if this criteria met	Rating Category (80 - 64%)	Insert an "X" if this criteria met
Performance	Exceeds all standards	25%		Exceeds at least one standard and meets all others		Meets all standards	X	Meets at least one standard but not all standards not met		Standards not met	
Cost	Exceeds all standards	25%		Exceeds at least one standard and meets all others		Meets all standards	X	Meets at least one standard but not all standards not met		Standards not met	
Schedule	Exceeds all standards	10%		Exceeds at least one standard and meets all others		Meets all standards	X	Meets at least one standard but not all standards not met		Standards not met	
Problem Solving	Exceeds all standards	10%		Exceeds at least one standard and meets all others		Meets all standards		Meets at least one standard but not all standards not met	X	Standards not met	
Optional Criteria:											
Adaptability to Work	Exceeds all standards			Exceeds at least one standard and meets all others		Meets all standards		Meets at least one standard but not all standards not met		Standards not met	
Working Relationships	Exceeds all standards	10%		Exceeds at least one standard and meets all others	X	Meets all standards		Meets at least one standard but not all standards not met		Standards not met	
Communication	Exceeds all standards			Exceeds at least one standard and meets all others		Meets all standards		Meets at least one standard but not all standards not met		Standards not met	
Self-Sufficiency	Exceeds all standards	10%	X	Exceeds at least one standard and meets all others		Meets all standards		Meets at least one standard but not all standards not met		Standards not met	
Skill in Work	Exceeds all standards			Exceeds at least one standard and meets all others		Meets all standards		Meets at least one standard but not all standards not met		Standards not met	
Work Management	Exceeds all standards	10%		Exceeds at least one standard and meets all others		Meets all standards		Meets at least one standard but not all standards not met	X	Standards not met	
* Sum of Weighting factors must equal 100%	Required Criteria must be weighted at least 10%; Optional Criteria weighting is user defined	100%									

Percent of Award Fee = 86%

Attachment 4

Award Fee Scoring Criteria Guide (Guide to filling out the Scoring Criteria Matrix)

Required Standard Criteria (4)

Performance: (Work Effort) Exerts effort and shows initiative in starting, carrying out and completing tasks; time is spent effectively performing work.

Cost: Costs are kept at estimate or below estimate.

Schedule: (Work Productivity) Work is completed on time. Completes projects, duties and tasks in a timely manner.

Problem Solving: Devises effective solutions to problems or identifies effective methods and procures for accomplishing objectives.

Tailoring Criteria (6)

[These may be incorporated as deemed appropriate for each particular contract award fee evaluation. One, more than one, or all may be used. These are at the discretion of the PM's office.]

Adaptability to Work: (How quickly work is accomplished) Picks up new ideas and procedures quickly; is easy to instruct; can adapt to the demands of new situations.

Working Relationships: (Contracting Partnerships) Is sensitive to the behavior of partners and maintains effective working relationships with others.

Communication: Communicates clearly and effectively, whether orally or in writing.

Self-Sufficiency: Works independently with little need for additional direction or help; follows through well; accomplishes all tasks required to complete a job.

Award Fee Scoring Criteria
(Guide to filling out the Scoring Criteria Matrix)

Skill in Work: (Are employees fully trained)? Performs job-associated tasks well, whether they require physical, technical, professional, supervisory or managerial skills; is considered very skillful on the job.

Work Management: (Ability to Plan) Effectively plans and organizes work; properly follows or implements management procedures, directives, regulations, or technical orders; ability to direct or evaluate.

Weighting

Weight Factor Column: The percentages showing on your copy are only given as examples of “weight” given to each Criteria. You, the evaluation team, have the discretion to enter whatever percent value you feel represents the worth of the criteria towards the contract effort. The only stipulation is that the sum of all weightings must equal 100%.

Required Criteria means that all contracts **MUST** be evaluated and scored in these four areas. The minimum value for each of the required criteria is 10%. Optional Criteria means that you may or may not choose to evaluate your contract in these areas, depending on whether you feel there was a significant contribution in one or more of these. In the Optional Criteria you may evaluate 0, 1, 2, 3, 4, 5, or 6 criteria; as long as the sum of all weighting factors (including the required criteria) equals 100%.

AWARD FEE CRITERIA SCORING MATRIX

Required Criteria:	Rating Category (93-100%)	Weight Factor (%)	Insert an "X" if this criteria met	Rating Category (87 - 92%)	Insert an "X" if this criteria met	Rating Category (76 - 86%)	Insert an "X" if this criteria met	Rating Category (65 - 75%)	Insert an "X" if this criteria met	Rating Category (0 - 64%)	Insert an "X" if this criteria met
Performance	Exceeds all standards	25%	X	Exceeds at least one standard and meets all others		Meets all standards		Meets at least one standard but not all standards not met		Standards not met	
Cost	Exceeds all standards	25%	X	Exceeds at least one standard and meets all others		Meets all standards		Meets at least one standard but not all standards not met		Standards not met	
Schedule	Exceeds all standards	10%	X	Exceeds at least one standard and meets all others		Meets all standards		Meets at least one standard but not all standards not met		Standards not met	
Problem Solving	Exceeds all standards	25%	X	Exceeds at least one standard and meets all others		Meets all standards		Meets at least one standard but not all standards not met		Standards not met	
Optional Criteria:											
Adaptability to Work	Exceeds all standards			Exceeds at least one standard and meets all others		Meets all standards		Meets at least one standard but not all standards not met		Standards not met	
Working Relationships	Exceeds all standards	5%		Exceeds at least one standard and meets all others		Meets all standards	X	Meets at least one standard but not all standards not met		Standards not met	
Communication	Exceeds all standards			Exceeds at least one standard and meets all others		Meets all standards		Meets at least one standard but not all standards not met		Standards not met	
Self-Sufficiency	Exceeds all standards	5%		Exceeds at least one standard and meets all others		Meets all standards	X	Meets at least one standard but not all standards not met		Standards not met	
Skill In Work	Exceeds all standards			Exceeds at least one standard and meets all others		Meets all standards		Meets at least one standard but not all standards not met		Standards not met	
Work Management	Exceeds all standards	5%		Exceeds at least one standard and meets all others		Meets all standards	X	Meets at least one standard but not all standards not met		Standards not met	
* Sum of Weighting factors must equal 100%	Required Criteria must be weighted at least 10%; Optional Criteria weighting is user defined	100%									

Percent of Award Fee = 98%